

## **Brixton Parish Council**

### **Internal Audit Report for 2018-19**

#### **Introduction and purpose**

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### **Scope of audit**

2. I have conducted an internal audit of Brixton Parish Council's accounts for 2018/19 financial year. Its objective was to test and evaluate the effectiveness of the Council's governance, internal financial control and risk management procedures. Where appropriate, a sampling of transactions was undertaken to test the effectiveness of a particular control.
3. The key areas examined are set out in the following paragraphs, together with any findings and recommendations, to enable the Council to consider changes that will enhance the effectiveness of the existing controls.

#### **Governance, internal financial controls and risk management**

4. All councils are required to prepare, consider and minute approval of key governance and internal financial control processes. Brixton Parish Council reviewed and approved the following processes during 2018/19.
  - Financial Regulations (April 2018)
  - Standing Orders (February 2019)
  - Internal Control Policy (April 2018)
  - Risk Assessment (April 2018)
  - Health and Safety Policy (July 2018)
  - Investment Policy (April 2018)
  - Anti-Fraud and Corruption Policy (April 2018)
  - Data Protection and Information Security Policy (November 2018)

**Audit finding:** Key governance and financial policies had been reviewed annually by the Parish Council.

### **Accounting records**

5. The Clerk maintained spreadsheets of receipt and payment transactions for each successive month during 2018/19 financial year. The receipts spreadsheet analysed and totalled all sources of income received during the month, including VAT where appropriate. Monthly payments were analysed over the required headings, including VAT where applicable, and totalled. Monthly totals of receipts and payments were used in the bank reconciliation process at the end of each month.

**Audit finding:** The cash book format provides a clear framework to support the financial control processes.

### **Bank reconciliations**

6. Accounts and Audit Regulations 2015 specify that statements reconciling an authority's bank accounts with its accounting records need to be prepared on a regular basis and reviewed by members of the authority, including the financial year-end. It was confirmed that:-

- bank reconciliations were performed at least quarterly (June, October, November 2018 and January, February and March 2019).
- An additional year-end reconciliation was performed for 2018/19 Annual Summary of Accounts.

**Audit finding:** Reconciliation statements were prepared at least quarterly and presented to members for consideration and approval. Details were recorded in the minutes as appendices. The controls were working effectively.

### **Budget and Precept for 2019/20**

7. Brixton Parish Council met on 30<sup>th</sup> January 2019 to consider and approve a budget for 2019/20 with expenditure of £29,012 and income of £2,534. At the same meeting, members formally approved a precept of £29,000 for 2019/20 that comprised a precept requirement of £28,301 plus a Council Tax Support Grant of £699. A formal precept statement was signed by the Chair and Clerk on 30<sup>th</sup> January 2019 (Minute 97.2) and emailed by the Clerk to South Hams District Council.

**Audit finding :** Precept calculations were in accordance with the figures previously provided by South Hams District Council. The internal control process was transparent and was working effectively.

### **Budgetary monitoring**

8. The Clerk produces a clear up to date statement of receipts and payments for each monthly Parish Council meeting. The statement analyses individual receipts and payments, where those funds have been allocated, and current bank balances. An

agenda, with a copy of the monthly financial statement, is circularised to members prior to each meeting. The data enables budget comparisons and future projections to be made in a timely manner with action taken as necessary. The adequacy of reserves, process for grant claims and possible risk of loss can also be assessed. Brixton Parish Council minutes record what discussions have taken place and any decisions taken as part of the budgetary monitoring process.

**Audit finding :** The process is transparent and appears to be working well.

### **Clerk's salary and expenses**

9. The Clerk's rate of pay and scale point is approved by Brixton Parish Council following an annual appraisal but South Hams District Council administers the payroll records. Monthly payslips are produced by South Hams District Council and forwarded to Brixton Parish Council where a cheque is signed by two authorised member signatories and issued to the Clerk. The following sample checks were made to test the effectiveness of the controls :-
- Brixton Parish Council minutes were examined from April 2018 onwards to verify the Council had approved the rates of pay, scale point increases, increase in hours and responsibilities.
  - Payments for additional hours were approved and supported by timesheets.
  - Salary payments were made in a timely manner and in accordance with the approved rates of pay.
  - Confirmed that South Hams District Council was responsible for making and accounting for the appropriate salary deductions for PAYE, National Insurance and Pension contributions.

**Audit finding:** The control process was sound with a clear audit trail to support the transactions.

### **Receipts and income**

10. A substantive check was made on all declared income to verify:-
- each transaction had been accurately recorded in the accounts and trailed to the respective bank and building society statements.
  - income was received for a variety of purposes, for example, precept, grass cutting, temporary holding accounts, grant income, reserves and VAT repayments. These appeared to be appropriately coded in the accounts.

**Audit finding:-**The sample tests were satisfactory and confirmed that all declared income had been recorded. Total cash book income for 2018/19 (inclusive of precept, other income and interest received) amounted to £44,183.79. The rounded

total, £44,184, accurately trailed to the 2018/19 AGAR Accounting Statement (Precept £26,425 and other income £17,759). There were no income issues to report. Income controls were working well.

### **Payments**

11. Ten payments were randomly selected to verify :-

- compliance with Financial Regulations and Standing Orders.
- each transaction was supported by a relevant invoice, till receipt, expense claim or other vouchers and accurately recorded in the accounts.
- VAT had been allocated in the accounts where appropriate.
- a cheque was issued for each payment and the transaction trailed to a relevant bank statement.
- there were no delays in clearing these cheques.

**Audit finding:-**The tests provided an assurance that the internal controls for payments were operating effectively.

### **Insurances**

12. An annual internal review of insurance risks was undertaken by Brixton Parish Council on 30<sup>th</sup> May 2018 (Minute 17) to assess whether the existing cover is adequate. Members approved renewal of the current policy and were satisfied that it incorporated:-

- the range and level of risks required by the Parish Council.
- adequate cover for employers and employees.
- an appropriate level of fidelity guarantee for the associated risks.
- provision to notify insurers of any new risks arising during the year.

**Audit findings:** - Insurance cover for the Parish is provided by Zurich Insurance plc (through Community First). The existing policy was renewed from 1<sup>st</sup> June 2018 to 31<sup>st</sup> May 2019. The range of cover appeared to be reasonable for the type and level of potential risk and the annual review and renewal process was undertaken in a timely way.

### **Fixed Asset Register**

13. The Fixed Asset Register was examined to establish:-

- if it was up to date.
- whether recent purchases have been approved and included in the register.
- sales or disposals have been approved and any income accruing is banked.
- Valuations are realistic and revalued where necessary to allow for depreciation.

**Audit findings:** - The register was updated during 2018/19 year for revaluations of street furniture, signage, refurbishments to four concrete bus shelters and new purchases – notably roadwork signs and safety equipment (strobe lighting and high visibility clothing). A tablet and case was added to the office equipment. The register total at 31<sup>st</sup> March 2019 was £33,058.00 and this figure is reflected in the 2018/19 AGAR Accounting Statement.

#### **Overview and conclusion**

14. Brixton Parish Council minutes show that members keep close controls over budget preparation, budget monitoring and payment procedures. These are backed up with a framework of financial policies that have been reviewed annually.
  
15. The Parish Clerk has been actively involved in all aspects of financial management for Brixton Parish Council. Clear and comprehensive statements of receipts and payments have been presented, with the current banking position, to each monthly meeting of the Parish Council. The process has enabled members to make informed decisions on budget preparation, budget monitoring, precept calculation and purchasing procedures.
  
16. The Clerk, with full support by members, has also developed an app and website for the Parish Council to broaden information available to the community.



**Peter Vassallo CPFA**

**3 June 2019**